

Message Text

CONFIDENTIAL

PAGE 01 OECD P 32727 222133Z

63

ACTION EUR-25

INFO OCT-01 AF-10 ARA-16 EA-11 NEA-10 IO-14 ISO-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIE-00 INRE-00 SSO-00

NSCE-00 EB-11 CIEP-02 OMB-01 TRSE-00 SCEM-02 SCI-06

INT-08 COME-00 DRC-01 /180 W
----- 081036

P R 221929Z DEC 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 1471

INFO AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

AMEMBASSY ATHENS

USINT ALGIERS

AMEMBASSY ABU DHABI

CONFIDENTIAL

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PAGE 02 OECD P 32727 222133Z

AMEMBASSY CARACAS

AMEMBASSY BRASILIA
AMEMBASSY JAKARTA
AMEMBASSY KUWAIT
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY NEW DELHI
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
USMISSION EC BRUSSELS
USMISSION GENEVA
AMEMBASSY BEIRUT

C O N F I D E N T I A L OECD PARIS 32727

BEIRUT PASS BAGHDAD

E.O. 11652: GDS
TAGS: ENRG, ECON, EFIN, OECD
SUBJECT: OPEC PRICE INCREASE

REF: (A) STATE 249803 (B) STATE 249382

1. MISSION INFORMED DEPSEGEN ELDIN OF DEMARCHES BEING MADE IN CAPITALS. ELDIN'S REACTION, REFLECTING ANALYTICAL WORK ON IMPACT OF OIL SITUATION TO WHICH SECRETARIAT NOW DEVOTING MAJOR RESOURCES, WAS FULLY IN ACCORD WITH U.S. ASSESSMENT REF (B). HE THOUGHT OIL PRICE RISES EVEN IN MORE "MODEST RANGES MENTIONED WOULD RAISE SERIOUS PROBLEMS, AND OIL PRODUCERS ARE FACED WITH FACT THAT UNREASONABLE PRICES WILL LEAD TO UNPREDICTABLE CONSEQUENCES SINCE CONSUMER COUNTRIES OBVIOUSLY CANNOT PAY THE IMPORT BILLS IMPLIED. ELDIN POINTED OUT THAT ARGUMENT ABOUT RELATING ESTABLISHED OIL PRICES TO "MARKET" OIL PRICES IS FALSE SINCE "MARKET" IS ESSENTIALLY NON-EXISTENT IN PRESENT MONOPOLISTIC SITUATION OF OIL EXPORTERS.

2. ELDIN BASED ROUGH CALCULATIONS OF IMPACT OF PRICE RISES ON EXTRAPOLATIONS FROM SECRETARIAT ANALYSES OF EFFECT OF OCTOBER POSTED PRICE INCREASES, WHICH FORECAST \$15 BILLION HIKE IN COST OF OIL IMPORTS IN 1974
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PAGE 03 OECD P 32727 222133Z

IF VOLUME OF OIL IMPORTS AT FIGURES PREVIOUSLY PROJECTED FOR 1974; INCREASE IN IMPORT COSTS COULD BE REDUCED BY HALF IF OECD COUNTRIES CUT OIL CONSUMPTION BY 10 PER CENT. SOME RESULTS OF THOSE ANALYSES APPEAR IN ISSUE OF OECD ECONOMIC OUTLOOK WHICH WAS RELEASED YESTERDAY AND AIR-POUCHED TO WASHINGTON AND OECD CAPITALS DEC 13; MISSION POUCHING COPIES ALSO TO OTHER ADDRESSEES.

3. ELDIN MENTIONED THAT OECD ECONOMIC POLICY COMMITTEE AND ITS WORKING PARTY 3 ON BALANCE OF PAYMENTS WILL DEVOTE THEIR MEETINGS OF FEB 13-15 TO QUESTIONS OF ECONOMIC IMPACT OF OIL SITUATION. WP3 MEETING JAN 16 IN ROME WILL ALSO PROVIDE OPPORTUNITY FOR SOME EXCHANGE OF VIEWS THAT SUBJECT. SHORT-TERM ECONOMIC FORECASTS WILL ALSO BE ADDRESSED AT MEETING OF EXPERTS JAN 10-11. EXTRAORDINARY MEETINGS OF EITHER EPC OR WP3 COULD OF COURSE BE CALLED BEFORE THEN IF GOVERNMENTS DESIRED.
ROGERS

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EO Systematic Review
30 JUN 2005

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